

Teacher Lesson Plan

Module 6: Exemptions

Time Frame

One to two class periods

Curriculum Area(s)

- Technology
- Civics/Government
- Family and Consumer Sciences
- History/Social Studies
- Economics

Purpose

To help students understand personal and dependency exemptions and how exemptions affect income that is subject to tax

Objectives

Students will be able to

- explain how exemptions affect income that is subject to tax.
- determine the number of exemptions to claim on a tax return.

Materials

Online

[Student Lesson—Exemptions](#)

[Tax Tutorial—Exemptions](#)

[Simulation 6—Identifying Filing Status, Dependents, and Exemptions](#)

[Assessment—Exemptions](#)

[Assessment Solutions—Exemptions](#)

Print (PDF)

[Fact Sheet—Exemptions](#)

[Teacher Lesson Plan—Exemptions](#)

Tax Forms

[Form 1040, U.S. Individual Income Tax Return](#)

Background

Each **exemption** reduces the income that is subject to tax by the **exemption amount**. For 2007, the exemption amount is \$3,400. There are two types of exemptions: **personal exemptions** and **dependency exemptions**. Personal exemptions are for the taxpayer and spouse. Dependency exemptions are for those who pass the **dependency tests** covered in Module 4. Remind students that just one exemption can be claimed per person. An exemption for a particular person cannot be claimed on more than one tax return.

Key Terms

Exemptions — There are two types: personal exemptions and dependency exemptions. While each is worth the same amount, different rules apply to each type.

Exemption amount — The exemption amount changes yearly and for 2007 the amount is \$3,400. Each exemption reduces the income subject to tax by the exemption amount.

Personal exemption(s) — Can be claimed for the taxpayer and spouse.

Dependency exemption — Can be claimed for those who pass the dependency tests for qualifying child or qualifying relative. Each dependency exemption reduces the income subject to tax by the exemption amount. The exemption amount changes yearly. Can be claimed for a "qualifying child" or a "qualifying relative" only if three tests are met: (1) dependent taxpayer test, (2) joint return test, and (3) citizen or resident test. Additionally, there are five (5) other tests to determine if a child can be a "qualifying child" and four (4) tests to determine if someone can be claimed as a "qualifying relative."

Opening the Lesson

Hand out Fact Sheet—Exemptions. Use the following questions to prompt students to share what they know about exemptions:

- What does it mean to claim a dependency exemption?
For each dependent claimed, the taxpayer can reduce the income that is subject to tax.
- How many exemptions can a taxpayer claim if the taxpayer is married and has two small children?
The taxpayer can claim four exemptions—two personal exemptions for the taxpayer and spouse and two dependency exemptions for the children.

Note: For students who may want to work independently on this module, refer them to Student Lesson—Exemptions

Developing the Lesson

Direct students to Tax Tutorial—Exemptions, and explain that this tax tutorial focuses on personal and dependency exemptions. Tell students that they will learn how exemptions affect the income that is subject to tax. Emphasize that just one exemption can be claimed per person. An exemption for a particular person cannot be claimed on more than one tax return.

Online Activity

Direct students to Simulation 6—Identifying Filing Status, Dependents, and Exemptions. Explain to students that they will answer a series of questions to determine the filing status and exemptions for Alicia Garcia. Students will see how the information they provide is used to complete the label, filing status, and exemption sections of the income tax return for Alicia Garcia.

Concluding the Lesson

After students have completed Tax Tutorial—Exemptions and Simulation 6—Identifying Filing Status, Dependents, and Exemptions, ask them whether they have questions about exemptions. To ensure that they understand the material, ask the following questions:

- What are the two types of exemptions?

Personal exemptions for taxpayer and spouse and dependency exemptions for dependents

- How many exemptions can a high school student claim on her own tax return if her parents can claim her as a dependent on their tax return?

None; a taxpayer cannot claim an exemption for herself if she can be claimed as a dependent on another taxpayer's return.

Assessment

As a final review, summarize the major lesson points. Remind students that exemptions reduce the income that is subject to tax and that an exemption for a particular person cannot be claimed on more than one tax return. When students are comfortable with the material, have them complete Assessment—Exemptions.

Assessment

Module 6: Exemptions

[View Score](#)

Part 1

Answer each of the following questions by typing your response in the space provided or by clicking on the correct answer. To assess your answers, click the *Check My Answers* button at the bottom of the page.

1) List the two types of exemptions. Separate your answers with commas.

No answer given: The correct answer is personal, dependency.

2) An exemption increases the income that is subject to tax.

A. True

B. False No answer given: The correct answer is B.

3) A taxpayer and his or her spouse can each claim a personal exemption.

A. True No answer given: The correct answer is A.

B. False

4) What type of exemption do taxpayers claim for their infant children?

No answer given: The correct answer is Dependency exemption.

5) A taxpayer cannot claim a personal exemption on his or her own tax return when he or she can be claimed as a dependent on another taxpayer's return.

A. True No answer given: The correct answer is A.

B. False

Part 2

For each situation, enter the total number of exemptions each taxpayer can claim in the space provided. To assess your answers, click the *Check My Answers* button at the bottom of the page.

1) Charlissa is 20 years old and a full-time student. She earned \$6,000 in her part-time job. Her parents provided more than half of her support. How many exemptions can Charlissa claim on her tax return?

No answer given: The correct answer is 0.

2) Mr. and Mrs. Song file a joint return. They have no children or dependents. They cannot be claimed as dependents on any other tax return. How many exemptions can the Songs claim on their joint tax return?

No answer given: The correct answer is 2.

3) Art and Ella Sullivan filed a joint return in 2006. Ella died in January 2007. In November 2007, Art married Katie. If there are no children or dependents, how many exemptions can Art and Katie claim on their joint tax return?

No answer given: The correct answer is 2.

4) Richard and Cheryl are married. Both were employed during the entire tax year. Cheryl's filing status is married filing a separate return. Cheryl provides 75 percent of the support of her three children. The children did not earn any income during the tax year. Assume all other dependency tests are met. Richard claims an exemption for himself on his tax return. How many exemptions can Cheryl claim on her tax return?

No answer given: The correct answer is 4.

Score	
Correct	0
Incorrect	0
Not Answered	9